

September 10, 2010

Mr. Russell Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference: No. 1810-100 Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities

Dear Mr. Golden:

I appreciate the opportunity to comment on the exposure draft referenced above. As a Certified Public Accountant working in the banking industry, I feel that it is important for our bank to present an accurate and comprehensible statement of financial position to our investors. With that in mind, I would like to express my concerns about the negative impact the proposed Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities would have on the banking industry. I feel this document will create an unclear statement of financial position, and will greatly reduce transparency to our investors. It will also create an adverse effect on the banking industry, as well as the economy.

The current balance sheet and income statement that our bank provides to our investors is a concrete statement that shows the total amount of loans that are to be repaid. We also have an adequate loan loss reserve that has been calculated in accordance with FAS 114. The income statement shows the interest that has accrued daily on all performing loans, in accordance with accrual basis accounting. This statement is actual facts, and our investors know they can count on it. Investors understand that the amounts on the books are the actual amounts owed, and that the loan loss reserve is money on hand to offset the potential future losses that could be incurred.

However, under the proposed plan, loans would be marked to market. No matter how good of a program a bank may have to mark loans to market, this would always be an estimate. Estimates are difficult for investors to understand, and would not accurately depict the balance sheet and income statement of banks. Though there are some bank investors that would be able to understand that these are just estimates, there would be many that would find it extremely difficult to understand.

In changing to the proposed marked to market method, investors will be getting an inaccurate statement of financial position, because the "market value" of a loan does not mean that we will not recoup the entire balance of the loan from the borrower. If that was the case, the loan would

103 S. MAIN P. O. BOX 220 CASHION, OKLAHOMA 73016 405.433-2675 HIGHWAY 81 SOUTH P. O. BOX 236 DOVER, OKLAHOMA 73734 405.828-7444

123 S. MAIN P. O. BOX 367 HENNESSEY, OKLAHOMA 73742 405.853-6880



not be made in the first place. Regardless of what the market value is, the borrower is legally obligated to repay us the entire amount owed. Even if there is a repayment problem, we will continue to work that out with the borrower, rather than to sell the loan.

A definition of Fair Value "is the price to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date". It will be difficult to determine market price, because there is no true market for the types of loans that many community banks make. The market for failed bank loans should not be used, because that is a forced sale. That type of sale would not accurately depict the price a bank could get in an orderly transaction. Besides, what good would the balance sheet of a bank be, if many of the numbers reported on it were simply estimates based on a market that does not exist?

Another serious concern of mine is the effect this proposed rule would have on our economy. In order for our bank, as well as many others, to make this work we will have to increase our staff by at least one person, or we will reduce our volume of loans and use other types of investments. If banks were increasing their staff, they would also need to increase their cost of funds. If banks reduce the volume of loans, the supply of funds available to borrowers will decrease.

Either way a bank chooses to make this proposal work, it will result in an increase in interest rates. With a decrease in the supply of funds, there will be an increase in the rates charged to borrowers. With an increase in interest rates, there will then be a decrease in spending, a decrease in demand, and an overall decrease in the GDP. With the current state of the economy, it would be very detrimental to make a law that would have an overall effect of furthering the recession we are in.

With this in mind, I recommend that you drop the proposal to mark loans to market, as, from my perspective as a CPA working in the banking industry, it does not improve the financial reporting for a bank.

Thank you for your consideration, and the opportunity to express my concerns. Please feel free to contact me at (405)853-6880 if you would like to discuss my concerns.

Sincerely,

Stacie Simunek Vice President

Community State Bank Hennessey, Oklahoma

Sunnek

103 S. MAIN P. O. BOX 220 CASHION, OKLAHOMA 73016 405.433-2675 HIGHWAY 81 SOUTH P. O. BOX 236 DOVER, OKLAHOMA 73734 405.828-7444

123 S. MAIN P. O. BOX 367 HENNESSEY, OKLAHOMA 73742 405.853-6880